Retaining of foreign exchange earnings by units in Sezs.

1019. SHRI V. V. RAGHAVAN:
SHRI J. CHITHARANJAN:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Government have recommended to the RBI that units located in Special Economic Zones (SEZs) be permitted to retain their entire foreign exchange earnings and allowed to make payments to each other in foreign exchange; and

(b) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL): (a) and (b) Yes, Sir. The Government of India (Ministry of Commerce and Industry) has suggested to RBI to permit units located in Special Economic Zones to retain 100% of their export earnings in their EEFC account for meeting their foreign exchange requirements. This has been suggested to RBI with a view to improving their operation and to minimising conversion losses.

Increase in interest rate

†1020. SHRI D. P. YADAV: Will the Minister of FINANCE be pleased to state:

(a) the reasons for the devaluation of Indian currency in the foreign exchange market;

(b) whether Government propose to increase the interest rate during the current financial year; and

(c) whether the rate of inflation has increased due to the revision in the administrated prices; and if so, whether some effective action is being taken to prevent this?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALA SAHEB VIKHE PATIL): (a) The average exchange rate of rupee in terms of US dollar increased from

†Original notice of the question was received in Hindi.

Rs. 43.5862 in March 2000 to Rs. 44.6893 in June 2000 and ranged in between Rs. 44.67 and Rs. 45.02 per US dollar during July 2000 up to 21st July 2000. This decline in the value of rupee in terms of US dollar cannot be regarded as devaluation of Indian rupee, since the exchange rate of the rupee against the US dollar is market determined and its movements reflect the developments in the foreign exchange market conditions in India.

(b) After deregulation, banks are free to prescribe their own lending rates, including the Prime Lending Rate (PLR), after/duly taking into account their cost of funds, transaction cost and minimum spread. The only lending rates now prescribed by the Reserve Bank of India are the concessional rates for certain sectors like exports, small loans up to Rs. 2 lakhs (not exceeding the PLR) and those under the Differential Rate of Interest (DRI) Scheme.

(c) The increase in the administred prices of fuel products like LPG and Kerosene in March 2000 together with 40% increase in Diesel prices earlier in October 1999 resulted in pushing up the annual rate of inflation in terms of the Wholesale Price Index (WPI) by over 2 percentage points. However, this adjustment in the administered prices of energy products was absolutely necessary in view of the significant rise in international prices of crude oil.

Review of the performance of Banks

1021. SHRI VIJAY J. DARDA: Will the Minister of FINANCE be pleased to state:

(a) whether Government have recently reviewed the performance of Nationalised Banks in general and the problem of critical position created by significant increase in NPAs;

(b) if so, the details thereof, Bank-wise;

(c) the details of major decision taken and follow-up action thereon alongwith the accountability fixed; and

(d) the comprehensive action plan formulated to bring down NPAs substantially within a stipulated time frame and the details thereof?